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February 25, 1946

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The Secretary:

1. I transmit herewith my report and recommendations with respect to Staff Committee Document No. SC-185, entitled "The Permanent Location and Organization of the Office of Research and Intelligence.

2. According to your directive of January 5, 1946, the issue involved is to be finally determined by you on or before March 1, 1946.

Donald Russell

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I

INTRODUCTORY

On 12 February 1946 the Special Assistant for Research and Intelligence submitted to the Secretary's Staff Committee Document SC-185 entitled "PERMANENT LOCATION AND ORGANIZATION OF THE OFFICE OF RESEARCH AND INTELLIGENCE" (ORI). By Direction of the Secretary, this document was referred to the Assistant Secretary for Administration for consideration and clearance, in accordance with Departmental Order No. 1356 (Tab A).

This paper involves an issue on which there is an irreconcilable difference of opinion in the department. The issue is whether, as the Special Assistant contends, the intelligence activities of the Department shall be centralized - that is, organized outside of, and not accountable to, the policy offices of the Department, or whether, as held by Assistant Secretaries Dunn and Braden, such activities, to the extent necessary, shall be integrated with, and made responsible to, the Offices of the Department charged with policy development and formulation.

II

PRIOR HISTORY OF CONTROVERSY

1. Origin

On 20 September 1945 the President approved the Bureau of the Budget's plan* for the organization of the overt and secret foreign intelligence activities of the Government. This plan called for the Department of State to assume the initiative in launching the program through a system of interdepartmental committees composed of representatives of agencies concerned with intelligence. As a first step towards implementation of the plan, the President, on 20 September, signed Executive Order 9621 transferring

* "Intelligence and Security Activities of the Government"

Bureau of the Budget
September 20, 1945

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to the Department of State as of 1 October 1945 the functions, personnel and resources of the Research and Analysis Branch of the Office of Strategic Services. Concurrently, the President issued a directive to the Secretary of State, dated 20 September (Tab B), wherein he said, in part:

"The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of peace. Those readjustments and reductions which are required in order to gear the transferred activities and resources into State Department operations should be made as soon as practicable.

"I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an interdepartmental group, heading up under the State Department, which would formulate plans for my approval.*****"

2. Problems Created by the President's Directive

The President's directive confronted the State Department with two serious problems.

- (a) How to absorb the resources transferred from OSS within the framework of the Department's organizational structure.
- (b) How to launch a complex program for the organization and coordination of National overt and secret foreign intelligence activity on an interdepartmental committee basis without the support of the War and Navy Departments and the Joint Chiefs of Staff.

The Department was relieved of the second problem when it became obvious that the plan to organize a National foreign intelligence program through the interdepartmental committee mechanism was impracticable. Accordingly, this mission was assigned to the National Intelligence Authority, established by the President's directive of 22 January 1946.

With respect to the first problem, the transfer of functions and personnel of the Research and Analysis Branch of OSS to the State Department developed into a bitter and irreconcilable difference of opinion as to the scope of the intelligence function and its proper functional relationship to the work of the Department as a whole.

This issue was presented to and extensively argued before A-R on 28 December 1945. On 29 December A-R submitted to the Secretary his recommendations with respect to the determination of the controversy. Because of the Secretary's imminent departure for London he withheld final decision and stated in his directive to A-R of 5 January 1946:

"*** The proposal of the Special Assistant for Research and Intelligence involves fundamental changes in the organization of the Department***.

"I wish the organization proposed by the Special Assistant to be adopted temporarily upon the express understanding that a final decision on the ultimate location of the Office of Research and Intelligence will be made on or before March 1st."

III

BASIC ELEMENTS OF THE PROBLEM

In approaching the organizational problem presented by SC-185, some basic considerations should be borne in mind. These are three: (1) the President's objectives; (2) the character of the intelligence function; (3) the nature of the Department's intelligence requirements.

1. The Presidential Objectives

The President's purpose in transferring OSS research resources to the Department was: "*** to aid in the development of our foreign policy. ***" The directive did not envisage, much less require, that the personnel and functions transferred from OSS would be grafted on the Department without due regard to its organizational structure. Indeed, the President's letter contemplates a careful meshing, to wit:

"Those readjustments and reductions which are required to gear the transferred activities and resources into State Department operations should be made as soon as practicable."
(Emphasis supplied)

2. The Function of Foreign Intelligence

Foreign intelligence is defined in the ORI charter as "evaluated, positive information on foreign countries as an aid to the formulation and implementation of foreign policy." Since the State Department is the principal foreign intelligence agency of the Government, the transfer of the OSS functions does not present the problem of how a new function is to be conducted. The question is the manner in which the personnel and facilities transferred are to be assimilated in a going concern so as to augment its total resources without disrupting its organization and throwing its operations into confusion. In this respect, the Bureau of the Budget report, on which the President's directive of 20 September was based, lays down this controlling principle as to the situs of intelligence activities, at p. 9:

"The intelligence operation is handmaiden to the action-taking and policy-determining groups. It must be sensitive to their needs. It must have handy the mass of original documents and material on which its studies are based. While it may secure

* (Annex 1, Dec. 185; 133.20-II)

much assistance from others outside, it must be responsible to the place of decision. A department which will be held responsible for its decisions and actions must, in turn, be able to hold accountable to it the operation which produces intelligence on which those decisions and actions will, in part, be based." (Emphasis supplied)

The State Department is organized along geographic and functional lines. The geographic and economic desks are "the action-taking and policy-determining groups" in the great flow of Departmental decisions made daily. In matters of high import, they are responsible for recommendations with respect to policy or action on which the Secretary's decisions are based.

3. Departmental Intelligence Requirements

For the purposes of this controversy, it is conceded that some strengthening of the intelligence resources of the geographic offices is necessary. However, the real problem is to coordinate and correlate the vast volume of existing intelligence research. Some form of a central organization is required to coordinate the research work of all the Offices on a departmental basis, to fix Departmental intelligence objectives and establish uniform standards of research. Such a central intelligence organization should also undertake:

- (a) Subject to appropriate instructions and policy controls, the representation of all interested elements of the Department on the technical staff of the National Intelligence Authority.
- (b) In cooperation with the geographic and economic offices, the preparation of special intelligence estimates for the Secretary and the Under Secretary and other top-level officials of the Department and for the National Intelligence Authority.
- (c) Responsibility for the collection and dissemination of positive intelligence produced in the Department.

IV

ANALYSIS OF ARGUMENT IN SUPPORT OF CENTRALIZED
INTELLIGENCE ORGANIZATION

The argument presented in SC-185 in support of the proposal for making permanent the tentative organization of ORI breaks down into four main elements.

1. The October 1st Directive
(Dec. SC-185 - pp 1-3)

The point is made that the centralized intelligence organization now proposed is called for by the October 1st directive (Tab C). In calling for a centralization of all intelligence activities of the Department, it disregarded the principle of intelligence decentralization which was a prime tenet of the Bureau of the Budget's intelligence organization plan on which the President's instructions to the Secretary were based. Its proposal for the consolidation of the Department's "positive" and "security" intelligence activities was inconsistent with the elementary principles of intelligence organization and is neither practicable nor desirable. In any event, as the Secretary has ruled, any administrative directive is subject to review with respect to its organizational soundness and feasibility as provided for by Departmental Order 1356 (Tab A).

2. The Argument for "Independent" Research
(SC-185 - pp 4-5)

"The first argument for separating the intelligence function completely from operating and policy functions is one of principle. Intelligence research is fact-finding. It requires independence and integrity of judgment, perspective and objectivity---qualities that thrive only in the most favorable environment."

In support of this statement of the independence doctrine, Walter Lippmann's *Public Opinion* (1921), now republished as a PELICAN BOOK, is cited. Safeguards thrown about the fact-finding processes of petit juries courts of equity and administrative tribunals are invoked as applicable analogies.

No one questions that research intelligence, to be useful, should be unbiased, objective, and even chock-full of perspective. But, if, as asserted, such qualities are able "to thrive only in the most favorable environment," intelligence is not likely to flourish in the savage climate of atomic age diplomacy. Centralization of researchers in an independent organization divorced from the impact of operations and policy is no guarantee of perspective and objectivity. Indeed, it may even produce a theoretical or doctrinaire form of bias. The cited analogies with respect to the complete divorce from policy (law) of the fact-finding processes of juries, administrative tribunals and equity judges are misdirected. A jury finds facts on instructions by the trial judge and often in the light of his comments on the evidence. A court of equity renders findings of fact and conclusions of law. The same is true of most administrative tribunals. In no case is there an insulation of the fact-finding process from the impact of policy or principles.

3. The Intelligence Qualifications of the Geographic Offices (SC-185 - pp 6-8 par 8-15)

This argument is in the nature of ad hominem. It boils down to two propositions:

- (a) "The geographic offices are not qualified by training or experience to supervise research work."
- (b) "Even assuming that research could be supervised adequately in the geographic offices and that it would produce intelligence unaffected by the policy commitments of those offices, decentralization would still impair the effectiveness of the present organization and be wasteful and inefficient."

This contention, aside from its lack of good taste, appears to misconceive the true function of intelligence and evidences an unfamiliarity with the operation of the State Department. The Secretary is responsible for our foreign policy. That policy is determined by him on the basis of information originating with our missions abroad, which is screened, correlated and evaluated by the existing geographic offices.

The proposed charter of ORI states that it will provide "evaluated, positive information on foreign countries as an aid to the formulation of foreign policy in the Department." (See Annex I, of SC-185, 133.20-11). If this charter is made permanent, we shall have ORI attempting to operate in the same field as the regular long-established Geographic Offices. At the best, the result will be wasteful duplication of effort. More likely, it will create conditions of administrative bedlam. If the Geographic Offices, as claimed, are not doing the intelligence job they are supposed to do, or, if their product is biased, the solution is to replace their personnel. The corrective does not lie in the establishment of a competitive organization divorced from and not accountable to the offices responsible for the formulation and development of recommendations on foreign policy.

4. Disruption of the ORI Staff
(SC-185 - pp 8-10 par 16-23)

It is argued that the integration of the research units of ORI with the research staffs of the Geographic Offices of the Department will wreck a going concern with five years of "know-how" in the intelligence field. This overlooks the fact that there is a vast difference between the limited purpose research objectives of OSS and the policy intelligence requirements of the Department of State. Even if equal competence be assumed, an independent centralized research group as contemplated by ORI would inevitably duplicate the work of the Geographic Offices.

During the war, duplicating organizations--particularly in the intelligence field---were justified for reasons (sometimes valid, often not) of expediency or by reason of emergency considerations.

With the cessation of the war, a continuance of this practice is intolerable. On this point, the Bureau of the Budget, in its report* to the President, stated at p.13:

"We cannot, however, continue a complete structure superimposed on top of the normal structure of Government beyond the period when our war needs demand it. The problem is how to capture that which is good and to integrate it into the normal framework of the Government. Had our intelligence base been strong when war came upon us, COI /OSS/would not have had to build independent facilities. However, to continue such facilities in the future will tend to perpetuate the very weaknesses that must be corrected." (Emphasis supplied)

The limited and special functions of a central research staff are indicated as follows at p.13:

"*** Such independent central staff as may be required, however, can be small, since it could rely very largely on the product of research and analysis in the departments and will not engage in large scale original research and analysis itself. Its responsibilities would be to secure and harmonize intelligence, to reconcile conflicting intelligence, and as envisioned in the JIC paper already quoted to 'mobilize the resources of all agencies in the fulfillment of an urgent intelligence requirement.'"

(Emphasis supplied)

What applies to a central research staff such as that of the National Intelligence Authority is equally applicable to the Department of State.

* Intelligence and Security Activities of the Government
September 20, 1945

CONCLUSION

In view of the foregoing, it is clear that the research intelligence activities of the Department (other than the functions enumerated at p.5, supra) must be organized as a part of, and must be responsible to, the offices where departmental policy is formulated or action taken. (See Function of Foreign Intelligence, pp 4-5, supra)

The organization of the Office of Research and Intelligence as presently constituted is in conflict with this elementary principle of departmental organization. In the best interests of the Department, ORI should be reorganized, its functions redefined, and the intelligence operations of the Department should be established in accordance with the recommendations submitted below.

RECOMMENDATIONS

It is recommended that:

1. The functions of the geographic intelligence divisions of the Office of Research and Intelligence (ORI) be transferred to the geographic offices of the Department and that ORI be renamed as the Office of Intelligence Coordination and Liaison.

2. Subject to appropriate policy control by, and the instructions of, the Standing Committee on Intelligence hereafter proposed, the Office of Intelligence Coordination and Liaison, in collaboration with the Office of Intelligence Collection and Dissemination, should perform the following functions:

(a) Represent all interested elements of the Department on the staff of the National Intelligence Authority.

(b) In cooperation with the geographic and economic offices, prepare special intelligence estimates for the Secretary and the Under Secretary, the Assistant Secretaries, and for the National Intelligence Authority.

- (c) To establish and maintain standards of research and analysis throughout the Department.
- (d) To formulate, in consultation with geographic and economic offices, a Departmental program for basic research, and to coordinate and stimulate its execution.
- (e) To organize and supervise cooperative projects in research cutting across the lines of the geographic and economic offices.
- (f) To maintain a central clearing house of information regarding research studies prepared or planned anywhere in the Department.
- (g) To maintain liaison with other agencies of the Government, and with private institutions, for the purpose of utilizing all possible research resources to meet the Department's needs.
- (h) To conduct specialized research on economic or other technical subjects.

3. The Secretary should appoint a Standing Committee on Intelligence consisting of the two Assistant Secretaries for Political Affairs, the Assistant Secretary for Administration and the Special Assistant for Research and Intelligence to:

- (a) Supervise the establishment and coordination of Departmental intelligence objectives and policies.
- (b) Subject to the direction and control of the Secretary, to formulate and supervise the implementation of Departmental policy with respect to the National Intelligence Authority.
- (c) To approve participation by the Department in any centralized operations or projects which the Director of the Authority may propose.

4. The transfer of functions, personnel and facilities envisaged in recommendation (1) above should be executed in such manner as to leave the Special Assistant with adequate resources to carry out his mission as redefined in recommendation (2).

5. The phasing of the transfer and the disposition of the personnel, functions and resources of ORI should be left to the determination of the Assistant Secretary for Administration, with the due regard to the recommendations submitted by the Special Assistant for Research and Intelligence.

6. Each geographic office shall organize and maintain a Division of Research, set up with geographic sections corresponding to the other divisions of the office. The establishment of such offices and the timing thereof shall be under the supervision and direction of the Assistant Secretary for Administration.
